

RETIREMENT PLAN COMPARISON AND RATIONALE

MPERS

- Ten Year Vesting Period – assumes static work force; College investment lost if employee leaves before vesting
- Not Portable – again assumes static work force
- Part-timers do not vest
 - No benefit to part-time employees
 - College investment entirely lost
 - Hurts recruiting efforts for qualified part-time faculty
- Low level of benefit
 - Person working for 20 years, with \$75,000 salary, would receive \$25,000/year
 - Death benefit small or nonexistent
- No cash remainder value
- Cost escalating
 - 12.99% of salary in FY2004; 17.74% in FY'07; \$16.54% in FY '09
 - Benefits will have to be reduced
 - Bad investment management has led to large "unfunded liability"
 - Health benefit will have to be reduced or eliminated
- College has no control over cost, investments, or benefits offered
- Employee's cost variable and rising

OPTIONAL RETIREMENT PLAN

- Immediate vesting; employee has benefit of all funds invested
 - Portable
 - Part-timers vest and get benefit of College payments
 - Employee in charge of investments and payout
 - Payout benefit potentially large
 - Cost steady at 12% for College; 3% for employee
 - Allows responsible budget projections for College
 - Retiree health care through Medicare and Retirement Health Savings Plan
- ❖ Personnel cost the single biggest expense of the College, roughly 80% of budget
- ❖ Putting all new employees into ORP potentially saves the College \$14 million over the next ten years.
- ❖ MPERS cost escalating while State appropriations shrinking.

SENATE BILL

- Affects new employees only
- Optional with the local community college board
- Should not include separate provision for "unfunded liability," the employee pool is made up of individuals, and the only calculation is: what investment is required today for each individual to receive the promised payout. Division of required investment into "funded" and "unfunded" is false construct.
- Community college employees a small percentage of total pool and will have negligible effect.